



PERFORMANCE EVALUATION  
for your *life insurance* Policy

## MR. TRUSTED CLIENT



LifeMark Partner Producer  
Suite 505  
575 S. Charles St.  
Baltimore, Maryland 21201  
410 837 3022  
401 837 4189 fax  
[www.lifemarkpartners.com](http://www.lifemarkpartners.com)

Performance Evaluation is a planning concept designed to assist you in exploring the need to review existing life insurance policies and comparing those to current market offerings. However, this presentation is not intended to be a retirement, benefit or estate plan nor is it a specific recommendation for a retirement, benefit or estate plan. This material is for informational purposes only. Although many of the topics presented may also involve legal, tax, accounting or other issues, there is absolutely no intention of offering such advice, and this presentation and any other oral or written communication should not be construed as such. Individuals interested in this topic should consult their own professional advisors to examine tax, legal, accounting, or financial planning aspects of this topic. As you explore your planning needs with your legal and tax advisors, we hope that you find this analysis useful.

Figures used in this program illustrate the Performance Evaluation concept, which is based on both assumptions and data provided by you, the client. Your furnishing of accurate data will help enhance the value of this analysis. This analysis is based on attained age, current cash flow and is for hypothetical comparative purposes only. This is a hypothetical comparative illustration summary and is not valid unless it refers to and is accompanied by a sales proposal and/or prospectus showing complete description of contract features, benefits and limitations, product details, caveats and guarantees. Please consult your contract.

Dividends, current interest and/or investment assumptions and current mortality are not guaranteed. Actual results will vary. This supplemental illustration assumes that the currently illustrated non-guaranteed elements will continue for all years shown. However, it is not likely that the non-guaranteed elements will perform exactly as shown in the illustration. In addition, the actual consequences of a particular planning alternative will depend on many variables, some of which may not be fully accounted for or described in this presentation. Premiums are payable in accordance with the terms of the insurance policy for which you apply, and non-payment of premiums may have a significant impact on the policy values and may cause the policy to lapse.

This material does not constitute tax, legal or accounting advice. It was not intended or written for use and cannot be used by any taxpayer for the purpose of avoiding any IRS penalty. It was written to support the marketing of the transactions or topics it addresses. Anyone interested in these transactions or topics should seek advice based on his or her particular circumstances from independent professional advisors.





## TABLE OF CONTENTS

### **Performance Evaluation**

*Performance Evaluation for Your Life Insurance Policy*

### **Trust Owned Life Insurance**

*Issues faced by Trustees with existing life insurance*

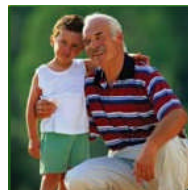
### **Confidential Performance Evaluation Report**

### **Market Survey**

*Carrier Selection*

*Carrier Financials*

*Guide to preparing a Client for a life insurance examination*



*Subjecting your  
life insurance portfolio to a  
formal Performance Evaluation  
is an important,  
financially sound practice.*





## PERFORMANCE EVALUATION

*You spend your life building a portfolio of stocks, bonds, real estate and IRA's.*

You keep a good pulse on the performance of these financial products, monitoring market fluctuations, interest rate trends and pricing efficiencies. You continually set and re-set investment objectives as your life's plan evolves, making changes to both financial product and investment strategy, as needed.

Formally or informally, you've set up a periodic financial review process tailored to your individual needs. That's good financial practice.

*Performance Evaluation gives you an understanding of actual policy performance with an eye towards maximizing value.*

**Life insurance products are financial products that require similar periodic care.**

Has your current product performed up to or exceeded expectations? Have those expectations changed since policy inception? Does the marketplace offer more efficient products? *Has your life's plan changed?*

Subjecting your life insurance portfolio to a formal policy review process is an important, financially sound practice. Periodically reviewing the role that life insurance plays can make a marked difference in your ability to reach your goals.

**Performance Evaluation** offers a free analysis of your in-force coverage, reviews your current life insurance needs and integrates both with the best products the market has to offer *(which may just be the one you're currently holding!)*



*Performance Evaluation integrates existing policy coverage and performance analysis with your life insurance needs and current product efficiencies.*

When you purchased your permanent life insurance policy, you invested in a financial plan designed with certain performance expectations. Have you evaluated actual results versus original expectations? If not, you may be in for quite a shock.

**Your policy may be at risk – you just don't know it yet.**

Over the past few decades, interest rates and dividend scales on life insurance policies have suffered a steady decline, hitting historic lows in recent years. This has critically affected policy cash values and premium adequacy. Retirement goals are falling well short of expectations. Policies originally thought to be “paid-up” are requiring additional premiums. *And worst case – policies are lapsing.*

## Update your Needs Analysis

Change is one thing you can count on. Business start-ups become industry leaders. Children grow up and have children of their own. Bigger houses, smaller houses, vacation houses. Tuition. Retirement. A lot can change in your life after you buy a life insurance policy – and those changes can affect the policy you own.

***Performance Evaluation* helps keep your financial strategy intact.**

If needs or plans have changed, then your policy may need to be adjusted to fit new circumstances. You may have too little or too much insurance for the present situation and future goals.

## Product & Pricing Improvements

The policy you bought, when you bought it was (most likely) an excellent product – a market leader and very well suited for the times.

Products today are much more efficient than they have ever been. Medical advancements and healthier lifestyles contribute to longer life expectancies. New product developments have changed the landscape completely.

*Even if your policy has performed up to par, the innovative products available today may improve cash accumulation, strengthen underlying guarantees or reduce premium outlay.*

The end result may validate your original policy, offering a few suggestive funding tweaks, if any at all. It may also result in a complete policy overhaul.

*Either way, you achieve the goal of evaluating an important financial product in your portfolio – your life insurance policy.*





## TRUST OWNED LIFE INSURANCE

### *Issues Faced By Trustees with Existing Life Insurance*

Life insurance is often central to many clients' plans. It can help them provide for surviving family, build cash values and, where there is an estate tax problem, help provide a source of funds for family liquidity. In many situations a client chooses to not directly own the life insurance. Instead, their planning is executed through a trust which, among other assets, might own a life insurance policy on the client or the client's spouse. Why would a client utilize a trust rather than own a policy outright? Often it is to keep the life insurance outside of the estate. In other cases it is for professional management to assure that the survivors are cared for. In still other situations, a client might want the privacy offered by some trusts.

Where clients have a trust, they must rely on the skills and knowledge of the trustee to assure that their trust meets its objectives. However, increasingly, concerns are being expressed that trustees are not living up to their obligations – putting both the trust objectives and the protection of the trust beneficiaries at risk.

We'd like to explore the various items that trustees need to be sensitive to. In particular, focus on the areas where trustees might be exposed to potential lawsuits and suggest some ways in which they might be able to better protect themselves. This article draws from the Uniform Prudent Investor Act, which varies from state to state, but offers a broad standard of care that is increasingly recognized by the courts. We will then consider some recent court cases that should be of concern to all trustees.

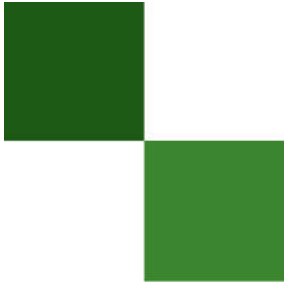
Many trustees are in need of quality advice regarding trust owned life insurance. We'll first discuss the standards of care that trustees are normally held to regarding the purchase and management of trust owned life insurance.

### **The Uniform Prudent Investor Act and Other Standards of Care**

Just as a trustee might monitor the investment assets in a trust, reviewing the trust portfolio to see if performance is meeting expectations, a trustee should also consider monitoring and reviewing the life insurance assets in the trusts that they are responsible for handling. In recent years a series of mechanisms have evolved that offer standards of care for life insurance as well as other assets. Particularly applicable are the Uniform Prudent Investor Act (UPIA) and recent standards for the purchase of life insurance set out by the Office of the Comptroller of the Currency (OCC). Although both evolved for different reasons, the standards of care are similar.

The Uniform Prudent Investor Act sets standards for trustees in the duty of managing and investing trust assets as any prudent investor would. It holds them to a standard of reasonable care, skill and caution. This uniform proposed law, first proposed in 1994, is currently adopted, in one form or another, by 48 states. Several key areas addressed by the UPIA are noted below. While these have not always influenced court decision in cases involving a trustee's judgment or lack of judgment, over life insurance, the themes of the UPIA set a standard that should be considered a minimum threshold for trustees.

It is important to keep in mind that the UPIA sets a basic standard that may vary from state to state. Moreover, a client can always draft a trust that holds a trustee to a higher or lower standard. The ability to reduce standards has helped trustees in some of the court cases, discussed below. Nevertheless, the trend in holding trustees to a high standard and enforcing that the standard is clear.





First, trustees must act in what is known as a fiduciary capacity, in effect bearing the burden of carrying out the trust's objectives for all beneficiaries. The UPIA specifically notes: "If a trust has two or more beneficiaries, the trustee shall act impartially in investing and managing the trust assets, taking in to account any differing interests of the beneficiaries."

This model act holds all portfolio assets to the same standard and requires that trustees not only monitor assets, but also assess risks and quality of assets given to the trust. Two key provisions note both:

- "... the trustee's continuing responsibility for oversight of the suitability of investments already made, as well as the trustee's decisions respecting new investments..." and,
- "Within a reasonable time after accepting a trusteeship or receiving trust assets, a trustee shall review the trust assets [and] implement decisions concerning the retention and disposition of assets..."

Although life insurance is never specifically mentioned, it appears to clearly be covered by the scope of the uniform act, which states: "In the trust setting the term 'portfolio' embraces the entire trust." The UPIA sets out many standards for trustees to follow. Among these, the ones that are particularly relevant for life insurance are:

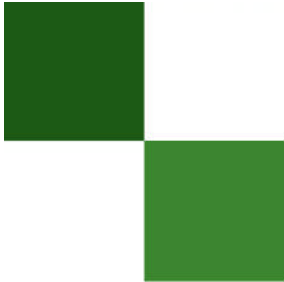
- Assessing risk tolerance taking into consideration "the purposes of the trust and the relevant circumstances of the beneficiaries,"
- Taking into consideration
  1. General economic conditions;
  2. Expected tax consequences of investment decisions or strategies;
- Adequately diversifying the trust assets; and
- Considering an asset's special relationship or special value, if any, to the purposes of the trust.

Trustees are allowed to delegate decisions and investment selections to agents; however, the trustee is ultimately responsible for monitoring the agent.

These standards parallel those applied in much of the banking community regarding the purchase of life insurance. In recent years the Office of the Comptroller of the Currency (OCC) imposed fairly stringent due diligence requirements, on the banks it regulates regarding the purchase and monitoring of life insurance for banking and benefit purposes. In 1996 they imposed a ten-point pre-purchase assessment analysis. Although the focus of these guidelines primarily concerns use of life insurance relative to the bank's operational needs, the standards are similar. Among the items that banks need to consider, prior to the purchase of life insurance, are:

- Determining the need and quantification of the life insurance death benefit amount;
- Vendor / Agent selection ;
- Review of the appropriate types of life insurance;
- An analysis of the bank's ability to monitor the life insurance; and
- Carrier selection.

In the last several years the OCC has further honed their guidelines relative to variable life insurance. Clearly, the trend is towards setting standards relative to the monitoring of life insurance, and assuring that there is both a pre-purchase and on going review of the policies.





## Areas Where Trustees Need to Review Trust Owned Life Insurance

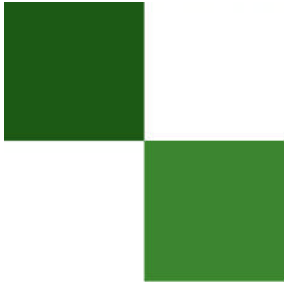
With these newly imposed standards, are trustees exposed to potential lawsuits involving trust owned life insurance? Quite possibly.

Consider that many trust owned life insurance policies were purchased five or more years ago and consider what has happened with the economy and within the life insurance industry in recent years. These changes involve many items that may cause a trustee to review their existing life insurance:

- [Policies that are not performing as illustrated](#) – it was not unusual to have policies in a trust that were illustrated assuming very high dividend rates or UL crediting rates. Even just a few years ago it was not unusual to see variable life insurance policies illustrated at 10 or 12% assumed gross rates. Small decreases in rates of return can have a significant negative effect over time.
- [Policies that are not sufficient for current needs](#) – a client's needs may have changed and a different amount of death benefit might be needed. This ties in with the next item.
- [Newer products that may be more cost efficient](#) – although there seems to be no formal study, an often quoted factoid is that the majority of trust owned policies could be restructured to provide the same death benefit for a 40% lower cost, or 40% more death benefit for the same cost. Better mortality, better underwriting and the streamlining of expenses among major insurers have driven much of this.
- [New products that may offer better guarantees](#) – many of the new generation of products offer secondary guarantees, with potentially more security to a client than may have existed a few years ago.
- [New riders that may offer more appropriate features](#) – allow a trustee more options in designing a policy that meets a client's needs. These include
  - Return of premium riders; and
  - Guaranteed death benefit protection riders
- [Some policies are scheduled for a jump in premiums](#) – this could be a matter of policy design (as in the case of older graded premium policies) or simply a function of poor underlying policy mechanics.

The jump in premiums is a particularly sensitive area. Many trustees may find a longer premium paying period or larger than expected premium payments. In many cases trustees may also face grantors that are not in a position to make these gifts. Why might a grantor not be able to make these gifts? There could be the death of a spouse, effectively halving a client's annual exclusion gifting power. Other clients may be hesitant, or unable, to utilize their exemption equivalent because of other estate planning. Still others may stop premiums simply out of frustration at the added cost. Because the grantor has no obligation to make gifts to the trust, the trustee is left trying to meet trust purposes in the face of lower than expected financial policy performance. While many trusts do not require a trustee to maintain a life insurance policy, refusing to make premium payments may undercut the original purpose of the trust at a point when the planning is critical.

An often quoted statistic is that, based on today's life insurance rates, the majority of existing trusts could obtain a 40% reduction in premium costs for the same amount of insurance, or conversely, could obtain 40% more death benefit for the same premium cost. The year 2000 study from which those values are derived, which entailed 45 trust companies, is actually much more involved than that statistic might indicate.



However, it is clear from the study that many trusts could obtain significant cost savings. In fact, the overall statistics from that survey indicated that approximately 74% - 79% of the trust companies could obtain a larger death benefit for the same premium and of the trust companies involved 8%-34% could obtain a greater death benefit while reducing the premium outlay from 55% to 82%. The policies involved in these trusts dated from pre 1980 through 1999, although the majority of the policies in the survey dated from 1990-1999, so even in these more recent policies presumably trustees could obtain savings. Add to this, changes in the financial stability of many life insurance companies along with the management changes many companies have seen in recent years. These financial or management changes would normally cause an otherwise investment savvy trustee to re-examine a particular asset in their portfolio.

### **Are Trustees Living Up to the Task?**

With all of these external pressures, are trustees rising to the challenge as it concerns life insurance? Surveys reported in *Trusts and Estates* would indicate that this is not necessarily the case. Several surveys over the years have indicated that anywhere from 70 – 95% of trust owned life insurance policies have no current servicing agent. Without a servicing agent, one would expect that a trustee would be closely monitoring the life policies. However, one recent survey, from the May 2004 *Trusts and Estates*, is particularly telling. The survey involved professional trustees as well as family and friends acting as trustees. While you might expect professional trustees would monitor their trust assets more closely than individuals acting as a trustee, as a favor for a close family friend or relative, both groups produced fairly similar results.

Of professional trustees, fully 83.5% indicated that they had no guidelines and procedures for handling trust owned life insurance. An even higher percentage, 95.3 %, had no guidelines for handling the asset allocation components of variable life insurance.

For non-professional trustees, 71.2% indicated that they had not reviewed their trusts' life insurance policies in the last five years. As with professional trustees, few non-professionals had any methods for handling the asset allocation component of variable life insurance with 94.7% indicating that no procedures were in place.

Why is it that life insurance is not managed as actively as other assets? Why is it that the dealings with life insurance tend to deal primarily with the day-to-day trust duties of accepting gifts, sending out Crummey Notices and paying premiums? There could be many reasons. It could be that life insurance is viewed as a long-term asset, not intended to mature for many years, or decades. As a result, it may not be viewed as an asset to be actively managed. It could be that trustees are dealing with a complex asset that requires the support of insurance specialists to which they may not have ready access.

Are professional and non-professional trustees held to different standards? Possibly yes. The UPIA notes: "Because the standard of prudence is relational, it follows that the standard for professional trustees is the standard of prudent professionals..."

In other words, this is a case-by-case determination. Even some of the court cases noted below seem to indicate different standards may apply in different circumstances. Nevertheless, nothing would appear to relieve a trustee in all circumstances.





## How a Trustee Might Be Sued

There appears to be increasing evidence that trustees are being sued for their lack of adequate conduct relative to life insurance. While there is little by way of specific court cases involved with the on going review, or lack of a review, over trust owned life insurance, other cases show a trend towards suits in other, related, circumstances. Moreover, as detailed below, there is a general sense within the professional community that many cases are being settled out of court, and away from the public eye, either because of the close relationships among trustee and non-trustee family members or because professional trustees are concerned with the negative publicity.

In many cases beneficiaries brought the suits. Typically, the client who established the trust and is the insured will not have the legal standing to bring suit because they are deemed to have no interest in the trust after it is established. However, in a few particularly extreme negligence cases, the trust's grantors were given the right to sue trustees even though they held no interest in the trust.

Areas where trustees have recently seen lawsuits are:

- [Negligence in Maintaining the Life Insurance Policy](#) – In one case the beneficiaries sued a CPA acting as trustee for failing to pay premiums. In a second case a corporate trustee, over a period of years, accepted gifts but failed to pay the life insurance premiums. Ultimately the policy failed and the trustee could only obtain a new policy that was less favorable and at a higher premium cost. The grantor refused to pay to make these larger gifts to the trust. This case should emphasize the need to be sensitive to client/grantor gifting capacity. In this second case the grantors of a trust were given the standing to sue the trustee.
- [Bad Investment Decisions](#) – there are numerous cases where trustees have been sued due to investment decisions, loans or other decisions that failed. In these cases the courts have been fairly evenly split, weighing a trustee's educated judgment against a beneficiary's disappointment.
- [Poor Life Insurance Design or Improper Policy Selection](#) – There are several cases, including one against a major wirehouse, where the life insurance trust was set up with the anticipation of a specific premium paying pattern, after which the policy cash values were expected to support the death benefit. In several cases trustees or advisors were sued when actual policy performance required additional premium payments (and additional gifts). In one case beneficiaries sued because they believed that the death benefit purchased was lower than might have been obtained from different policy design at the same company. This latter case was settled out of court.  
On a related track, a rush to implement a policy resulted in a policy placed with a trust that contained different terms than presented in the design process. A decision in that case held that the agent should be held to the same standard as the trustee because of their expertise and the relationship with the family.
- [Poor Selection of a Vendor](#) – the trustees knowingly purchased the life insurance from a felon whose life insurance license had been revoked (the court held that the trustees breached their fiduciary duty in their choice of policies).





It should also be noted that in many cases the beneficiaries did not win their suits. These include:

- The beneficiaries sued for improper accounting (the case was dismissed because of the close relationship between the beneficiaries and trustees);
- The trustee making loans to a business owned by the deceased 's estate (the court determined that the loan was reasonable);
- The trustee failing to adequately supervise investment activities (the court concluded that the beneficiaries were actively involved in the process with the trustees);
- The trustee purchasing an annuity as the primary asset despite the beneficiary being well below age 59 1/2 (the trust explicitly allowed such an investment); and
- In a case mentioned above, the trustee failed to make premium payments and the policy failed. The court determined that the clients had no legal standing, in part, due to the fact that the trust did not require the trustee to maintain the life insurance policies.

## Conclusion

Clearly, trustees are exposed to many potential suits regarding trust owned life insurance. Life advisors can help trustees by making them aware of these issues. There are several steps that trustees can take, with the help of life advisors, to assess their risks and correct potential issues. Among these are:

- Setting goals and standards regarding their trust owned life insurance. This includes:
  - Examining existing life insurance policies and comparing alternatives. There are several tools available to help with this work,
  - Examining client goals and beneficiary needs,
- Examining policy funding and determining if additional or alternative funding is necessary. This includes considering whether or not a client's gifting capacity is able to support future premium needs,
- Considering a life insurance performance review:
  - Will universal life policies or participating whole life policies perform within a reasonable tolerance of the original illustrations or new client goals?
  - With variable life insurance, do the sub- accounts need to be re-examined based on evolving client needs and sub-account performance?

While even a thorough life insurance review will not uncover every problem, taking the necessary steps today can help trustees avoid potential problems down the road.



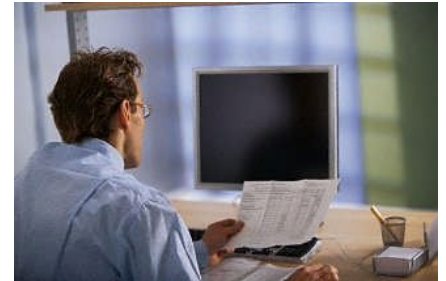


## PERFORMANCE EVALUATION REPORT

Prepared for

**Mr. Trusted Client**

Male age 60 • Preferred Nontobacco for Life Insurance



### Current In-Force Portfolio

ABC Life Insurance Company  
*Modified Whole Life Insurance*  
policy #xxxxxxx dated 01/01/1991

Owner & Beneficiary:  
The Trusted Client Irrevocable Trust  
U/A/D 01/01/1991; Trust Co., Ttee.

#### Policy Values as of 3/27/2006

- Death Benefit \$2,207,420
- 2006 Premium \$ 8,902
  - 2007 Premium \$7,245
- Cash Surrender Value \$ 541,075

XYZ Life Insurance Company  
*Universal Life*  
policy #xxxxxxx dated 01/01/2001

Owner & Beneficiary:  
The Trusted Client Irrevocable Trust  
U/A/D 01/01/2001; Bank, Ttee.

#### Policy Values as of 3/27/2006

- Death Benefit \$2,000,000
- 2006 Premium \$ 35,449
  - 2007 Premium \$37,106
- Cash Surrender Value \$ 68,191

### Policy Objectives

#### Maximize Death Benefit

Evaluate current portfolio to maximize death benefit need and minimize out-of-pocket premium outlay.

- Total Death Benefit no less than current Total Death Benefit of \$4,207,420
- Funding Strategy for Estate Planning Purposes not to exceed \$44,000





## Policy 1

ABC Life Insurance Co. • *Modified Whole Life* • policy #xxxxxxx dated 01/01/1991  
Owner & Beneficiary:  
The Trusted Client Irrevocable Trust U/A/D 01/01/1991; Trust Company, Ttee

- Death Benefit \$2,000,000
- Annual Premium \$ 36,790
- Nonguaranteed Dividends to Reduce Premium with Excess Buying Paid-Up Additions

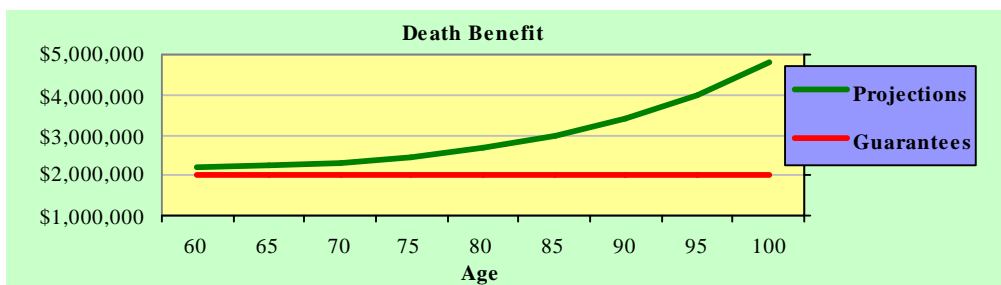
### Performance Evaluation as of 05-04-2006

- Guaranteed Maximum Assumptions
  - **Continuous Pay**; premiums paid in all policy years.
  - This policy's Death Benefit of \$2,000,000 is guaranteed to insured's age 100.
- Current, Nonguaranteed Assumptions
  - **Continuous Pay**; premiums paid in all policy years.
  - **Natural Abridgement**; premiums paid for 6 additional policy years.
  - This policy's Total Death Benefit of \$2,207,420 is projected increase to insured's age 100.
- Cash Surrender Value \$ 541,075.73



Year	Annual Premium	Annual Dividend*	Net Premium*	Total Cash Value*	Total Death Benefit*
2006	\$36,790	\$27,888	\$8,902	\$545,516	\$2,195,883
2007	36,790	29,545	7,245	590,897	2,200,328
2008	36,790	30,915	5,875	637,246	2,207,284
2009	36,790	32,261	4,529	684,455	2,215,924
2010	36,790	33,660	3,130	732,454	2,225,026
2011	36,790	35,265	1,525	781,133	2,234,600
2012	36,790	42,260	0	830,419	2,246,350
2013	36,790	44,015	0	881,815	2,261,080
2014	36,790	45,647	0	935,247	2,278,397
2015	36,790	47,254	0	990,773	2,298,111
2025	36,790	71,254	0	1,665,402	2,639,827
2035	36,790	112,733	0	2,625,992	3,331,057
2045	36,790	217,828	0	4,315,734	4,578,604

\*Dividends assumed in the policy amounts shown are based on current interest sensitive dividend scale and are neither guaranteed nor estimates for the future.





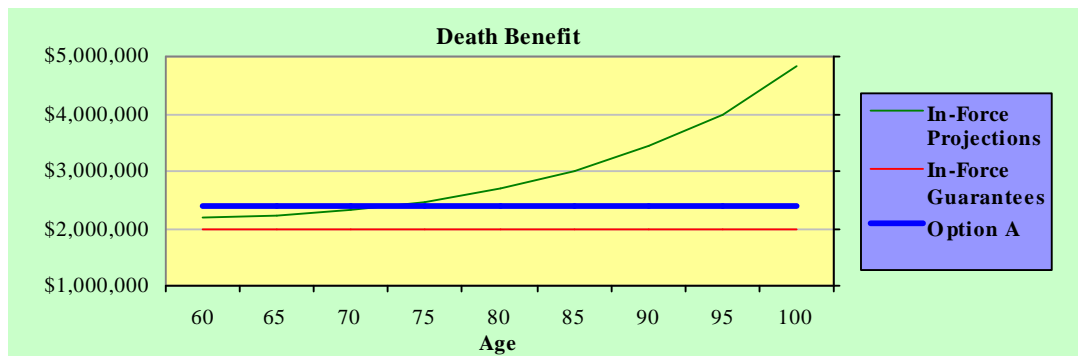
## Policy 1 (cont.)

ABC Life Insurance Co. • *Modified Whole Life* • policy #xxxxxxx dated 01/01/1991  
 Owner & Beneficiary:  
 The Trusted Client Irrevocable Trust U/A/D 01/01/1991; Trust Company, Ttee

## Proposed Alternatives

Lincoln Benefit Life Company • *Legacy Choice*  
 Universal Life Insurance with **Lifetime No-Lapse Guarantee (NLG) Death Benefit**  
 utilizing a \$1035 cash value exchange of \$541,075.73 and no further premium outlay.

Option	Premium	Death Benefit		
		Amount	Guaranteed Assumptions	Nonguaranteed Assumptions
Option A	\$0	\$2,406,624	<b>Lifetime Guarantee</b>	Projected for Life



## Policy Objectives

### Maximize Death Benefit

Evaluate current portfolio to maximize death benefit need and minimize out-of-pocket premium outlay.

- Lock-in \$2,406,624 Lifetime NLG Death Benefit
- No Further Premium Outlay
- Eliminate Performance Dependency
  - Funding strategy of \$44,000 for both In-Force Policies dependent on nonguaranteed, interest-sensitive dividend scale.



## Policy 2

XYZ Life Insurance Co. • *Universal Life* • policy #xxxxxxx dated 01/01/2001  
Owner & Beneficiary:  
The Trusted Client Irrevocable Trust U/A/D 01/01/2001; Bank, Ttee.

- Death Benefit \$2,000,000
- Annual Premium \$ 35,449

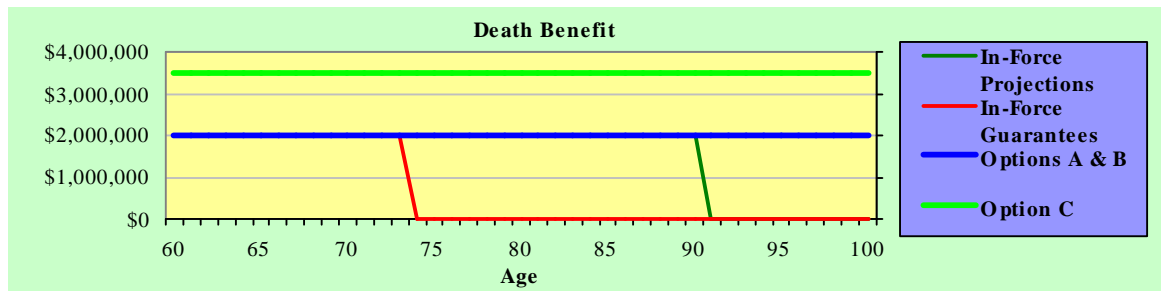
### Performance Evaluation as of 05-04-2006

- 2006 Premium \$ 35,449
  - Premium Outlay increases to \$44,000 as Premiums on **Policy 1** decrease (subject to performance sensitivity).
  - Premiums projected to be paid for an additional 12 years.
- Death Benefit \$2,000,000
  - Based on *guaranteed maximum assumptions*, this policy will lapse at insured's [age 73](#).
  - Based on *current, nonguaranteed assumptions*, this policy will lapse at insured's [age 90](#).
- Cash Surrender Value \$ 68,191.26
  - Account Value \$122,248.26
  - *Less:* Surrender Charge( 54,057.00)

### Proposed Alternatives

Lincoln Benefit Life Company • *Legacy Choice*  
Universal Life Insurance with [Lifetime NLG Death Benefit](#)  
utilizing a \$1035 cash value exchange of \$68,191.26.

Option	Premium Outlay		Death Benefit		
	Annual	Years	Amount	Guaranteed Assumptions	Nonguaranteed Assumptions
Option A	\$25,730	All	\$2,000,000	<a href="#">Lifetime Guarantee</a>	Projected for Life
Option B	44,000	12	2,000,000	<a href="#">Lifetime Guarantee</a>	Projected for Life
Option C	44,000	All	3,201,792	<a href="#">Lifetime Guarantee</a>	Projected for Life



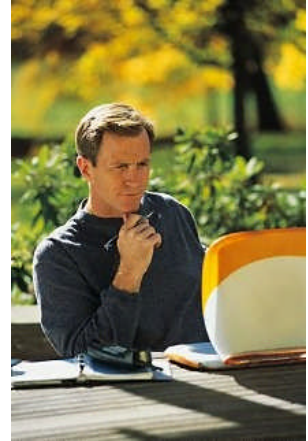


## PERFORMANCE EVALUATION REPORT

Prepared for

**Mr. Trusted Client**

Male age 60 • Preferred Nontobacco for Life Insurance



### Total In-Force Coverage

Two (2) Policies:

- Death Benefit \$4,207,420
- Annual Premium \$ 44,000

### Policy Objectives

#### Maximize Death Benefit

Evaluate current portfolio to maximize death benefit need and minimize out-of-pocket premium outlay.

- Total Death Benefit no less than current Total Death Benefit of \$4,207,420
- Funding Strategy for Estate Planning Purposes not to exceed \$44,000

### Recommendations

Universal Life Insurance with Lifetime NLG Death Benefit

Lincoln Benefit Life Company • *Legacy Choice*



### The Numbers

Proposed A: Annual Premium Advantage: **\$18,270**

Proposed B: Premium Outlay Advantage: **Guaranteed 12-Pay**

Proposed C: Initial Death Benefit Advantage: **\$1,400,996**

all options with

*Lifetime NLG Death Benefit*



## MARKET SURVEY

Prepared for

**Mr. Trusted Client**

Male age 60 • Preferred Nontobacco for Life Insurance

### Universal Life with **Lifetime No-Lapse Guarantee (NLG) Death Benefit**

Carrier	§1035 Exchange	Premium		Cash Surrender Value*			Death Benefit	
		Annual	Years	10 years	20 years	30 years	Face	Guarantee
<b>Owner &amp; Beneficiary:</b>								
The Trusted Client Irrevocable Trust U/A/D 01/01/1991; Trust Company, Ttee.								
Lincoln Benefit Life	\$ 541,076	\$ -	-	\$ 590,902	\$ 755,605	\$ 273,802	\$ 2,406,624	Lifetime
John Hancock	\$ 541,076	\$ -	-	\$ 390,456	\$ 200,209	\$ -	\$ 2,261,102	Lifetime
Prudential	\$ 541,076	\$ -	-	\$ 534,285	\$ 490,842	\$ -	\$ 2,251,663	Lifetime
Sun Life of Canada	\$ 541,076	\$ -	-	\$ 573,477	\$ 765,397	\$ 456,941	\$ 2,205,052	Lifetime
MetLife	\$ 541,076	\$ -	-	\$ 457,036	\$ 350,729	\$ -	\$ 2,175,611	Lifetime
MassMutual	\$ 541,076	\$ -	-	\$ 357,953	\$ -	\$ -	\$ 2,112,688	Lifetime
<b>Owner &amp; Beneficiary:</b>								
The Trusted Client Irrevocable Trust U/A/D 01/01/2001; Bank, Ttee.								
John Hancock	\$ 68,191	\$ 25,426	All	\$ 25,620	\$ -	\$ -	\$ 2,000,000	Lifetime
Lincoln Benefit Life	\$ 68,191	\$ 25,730	All	\$ 186,239	\$ 419,649	\$ 143,900	\$ 2,000,000	Lifetime
Prudential	\$ 68,191	\$ 26,326	All	\$ 172,773	\$ 239,911	\$ -	\$ 2,000,000	Lifetime
Sun Life of Canada	\$ 68,191	\$ 27,273	All	\$ 198,682	\$ 448,812	\$ 242,922	\$ 2,000,000	Lifetime
MetLife	\$ 68,191	\$ 28,779	All	\$ 159,601	\$ 178,337	\$ -	\$ 2,000,000	Lifetime
MassMutual	\$ 68,191	\$ 29,086	All	\$ 19,923	\$ -	\$ -	\$ 2,000,000	Lifetime
Lincoln Benefit Life	\$ 68,191	\$ 44,000	12	\$ 418,766	\$ 642,705	\$ 263,025	\$ 2,000,000	Lifetime
Sun Life of Canada	\$ 68,191	\$ 44,000	12	\$ 408,476	\$ 630,865	\$ 255,956	\$ 2,000,000	Lifetime
Prudential	\$ 68,191	\$ 44,000	13	\$ 394,052	\$ 508,640	\$ -	\$ 2,000,000	Lifetime
MetLife	\$ 68,191	\$ 44,000	14	\$ 325,955	\$ 395,396	\$ -	\$ 2,000,000	Lifetime
MassMutual	\$ 68,191	\$ 44,000	15	\$ 208,194	\$ 21,925	\$ -	\$ 2,000,000	Lifetime
John Hancock	\$ 68,191	\$ 44,000	17	\$ 268,737	\$ 503,433	\$ -	\$ 2,000,000	Lifetime
John Hancock	\$ 68,191	\$ 44,000	All	\$ -	\$ -	\$ -	\$ 3,298,549	Lifetime
Lincoln Benefit Life	\$ 68,191	\$ 44,000	All	\$ 266,719	\$ 653,209	\$ 232,183	\$ 3,201,792	Lifetime
Prudential	\$ 68,191	\$ 44,000	All	\$ 244,053	\$ 360,096	\$ -	\$ 3,157,558	Lifetime
Sun Life of Canada	\$ 68,191	\$ 44,000	All	\$ 277,933	\$ 670,192	\$ 375,471	\$ 3,049,202	Lifetime
MetLife	\$ 68,191	\$ 44,000	All	\$ 212,656	\$ 245,653	\$ -	\$ 2,922,633	Lifetime
MassMutual	\$ 68,191	\$ 44,000	All	\$ 5,293	\$ -	\$ -	\$ 2,899,745	Lifetime





## CARRIER SELECTION

### *The Importance of Choosing the Proper Life Insurance Carrier*

The life insurance carrier you choose to cover the risk could be as important as the risk amount and product type. Please consider the following factors, among others, in your carrier selection process:

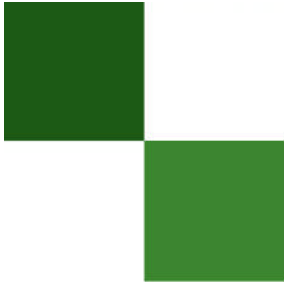
**Risk Assessment:** Most life insurance underwriters use a system of credits and debits to assess a risk. These positive and negative “mortality points” contribute to a quantitative assessment. Each individual life insurance carrier offers their underwriters distinct guidelines from which to underwrite a risk both **medically** and **financially**.

Company A underwrites a particular medical risk better than Company B. Since each carrier offers slightly different guidelines when it comes to underwriting certain risks, it is important to “customize” the carrier that best fits your personal risk factors.

Financial risk assessment offers up an entirely different set of underwriting skills. The life insurance carrier chosen to underwrite the amount at risk depends on the size of the risk, the nature of the risk, and the required financial justification supporting that risk. Underwriting large face amounts or complex advanced sales concepts requires certain sophistication by both the life insurance carrier and the underwriter.

*Medical and financial underwriting could be the most important factors in the carrier selection process.*

Your Life Insurance Professional is your guide in the carrier selection process and your advocate in the underwriting process. Those who familiarize themselves with risk selection and the tools underwriters use to assess risk offer you a unique benefit that most practices just don’t understand.





**Carrier Financials:** Third-party carrier financials offer an unbiased financial measure as to the stability and claims-paying ability of a financial institution. These third-party financials are offered by such organizations as *A.M. Best Company*, *Standard & Poor's Corporation*, and *Moody's Investors Service*, among others.

Rank	A. M. Best	Standard & Poor's	Moody's
1	A++	AAA	Aaa
2	A+	AA+	Aa1
3	A	AA	Aa2
4	A-	AA-	Aa3
5	B++	A+	A1
6	B+	A	A2
7	B	A-	A3
8	B-	BBB+	Baa1
9	C++	BBB	Baa2
10	C+	BBB-	Baa3
11	C	BB+	Ba1
12	C-	BB	Ba2
13	D	BB-	Ba3
14	E	B+	B1
15	F	B	B2
16		B-	B3
17		CCC+	Caa1
18		CCC	Caa2
19		CCC-	Caa3
20		CC	Ca
21			C

The size of a carrier should be a factor as well. Would you want to risk a \$10 million claim on a carrier with admitted assets of \$100 million? That's 10% of the carrier's total assets. Generally, carriers with greater assets have the ability to accept larger risks more favorably.

**Pricing:** This is the most obvious in the selection process. A carrier may rank highest in all other factors listed, but it must have a competitive product to bring to the marketplace.

**Product Design:** Often times one gets what they pay for, which is why pricing and product design should be considered in tandem. Please consult your Life Insurance Professional on the important product features and riders available on any recommended life insurance contract.



## GUIDE TO PREPARING A CLIENT FOR A LIFE INSURANCE EXAMINATION

### Introduction

Clients have certain apprehensions about taking a medical examination for insurance. The process provokes both anxiety and hesitation. In addition, it is possible that proper client preparation could lead to avoidable poor underwriting outcomes.

This guide provides strategies to assist insurance agents and clients in making the process easier and improve the chances for the best medical outcome.

### Client Preparation

The following is a list of items that improve a client's chance of having a successful medical examination.

- z **Rest and Good Health:** Clients should have adequate rest and be in good health for their medical examination. If a client is sick (i.e. has a cold) or exhausted, reschedule the examination.
- z **Nicotine Testing:** Clients will have their urine tested for nicotine. Clients do not have to be cigarette smokers to have nicotine discovered in their urine sample. Smoking cigars, chewing tobacco, snuff, the nicotine patch and nicotine gum can all cause nicotine to be detected in the urine. Drink a glass of water one hour before the exam to facilitate obtaining a urine sample.
- z **Alcohol Consumption:** Clients should avoid all alcohol consumption preferably 48 hours before the examination. Alcohol consumption can increase blood pressure and adversely affect certain elements of the blood study.
- z **Caffeine Consumption:** Clients should limit caffeine consumption 48 hours before the examination. *They should have no caffeine the morning of the examination.* Caffeine increases blood pressure and pulse rate. It can even provoke an irregular heart rate (arrhythmia). It is important to advise clients of the various sources of caffeine in the diet aside from coffee and tea (i.e. diet soft drinks, cold preparations, pain medications, etc.)
- z **Medications:** Clients taking prescription medications should take the medications as directed by their physician. Also, please have a list of medication ready for the examiner
- z **Food and Drink:** Instructions will be given at the time appointments are made.
- z **Exercise:** Clients should not exercise before they have their medical examination. Exercise, especially cardiovascular workouts, can cause inaccurate elevations of cholesterol levels.
- z **Blood Pressure:** It is normal for clients to become anxious about having their blood pressure taken.

{ **Important Note:** Blood pressure readings are taken after the client has had a few minutes to relax. Elevated blood pressure is rechecked later during the examination for a total of three readings five minutes apart.

